

**Dakota County Employment and Economic Assistance  
Public Assistance Caseload  
Increase Analysis**

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**I. Executive Summary**

The Employment and Economic Assistance Department (EEA) management team decided it needed to understand why the Department's caseload has and is growing at such a fast pace. The management team asked OPED for assistance in gathering and analyzing the available data. This report is the joint product of OPED and EEA.

EEA delivers economic assistance to Dakota County residents, including a variety of public assistance programs.

- Minnesota Family Investment Program (MFIP) provides income assistance to families.
- General Assistance provides income assistance to singles.
- Medical Assistance provides funding for medical needs of families or individuals.
- Food Support (previously the Food Stamp Program) provides vouchers for food for families in need.

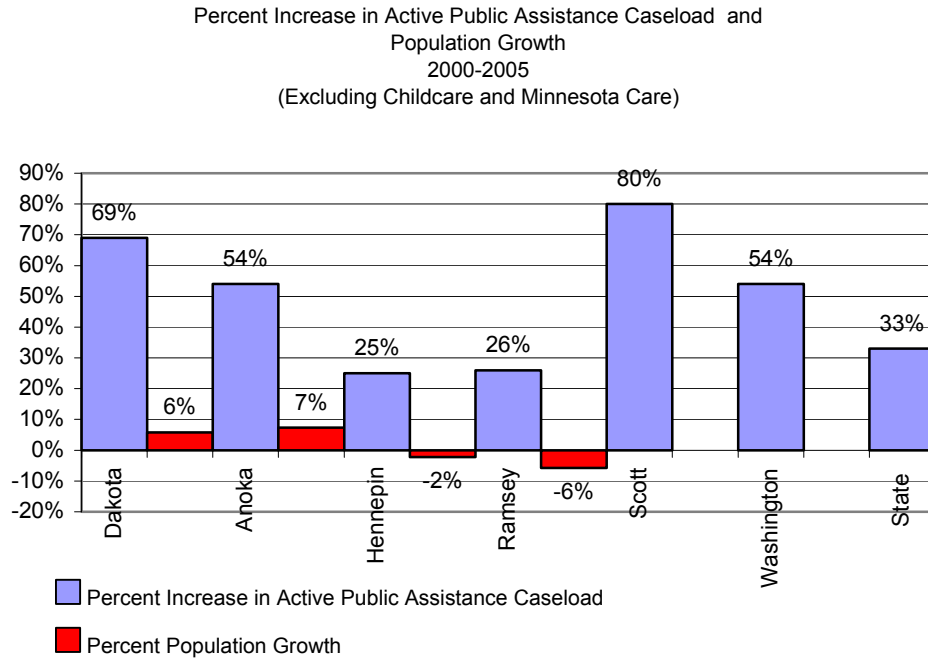
EEA has approximately 250 employees, including more than 80 financial workers who provide assessment and intake for families and individuals seeking assistance.

The department has experienced large increases in public assistance caseloads since 2000 (69%). There are at least three important factors driving this increase. First, there are more people and families that are poor. Second, the rising costs of basic needs (housing, childcare, and medical insurance) are making it difficult for families to survive even on a moderate income. These costs are simply not possible for lower income families to finance. Finally, the Dakota County economy does not provide an easy source of relief.

## II. Increase in Dakota County Public Assistance Caseload

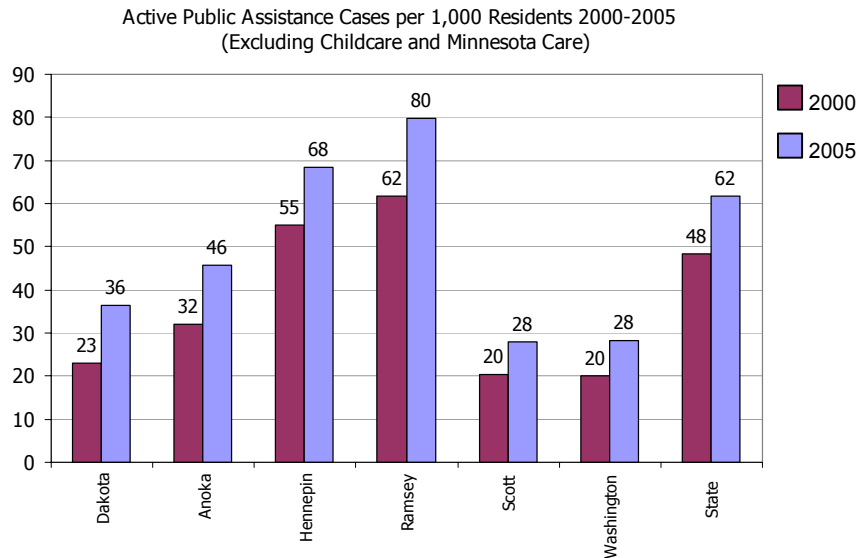
Public Assistance caseloads are experiencing growth at a rate that far exceeds population growth. Leadership in EEA has experienced a dramatic increase in the caseloads over the past several years. In fact, there has been a 69% increase in public assistance caseloads (excluding childcare and MinnesotaCare) between 2000 and 2005. This is a higher 5-year percentage increase than all other metropolitan counties except Scott County.

**Figure 1.**



The total population of Dakota County has increased by 5.8% between 2000 and 2005. If all other factors remained stable, the number of public assistance cases would be expected to increase by the same amount. However, the number of public assistance cases in Dakota County has increased from approximately 23 cases per 1,000 population in 2000 to 36 cases per 1,000 in 2005. This is similar to the statewide increase. While Dakota County and Scott County have experienced the largest growth, all metropolitan counties have similar growth.

**Figure 2.**



Among the different types of public assistance, the caseload of households that receive Food Support has increased the most (99%), followed by health care assistance (64%), and MFIP or Diversionary Work Program (DWP) (28%).

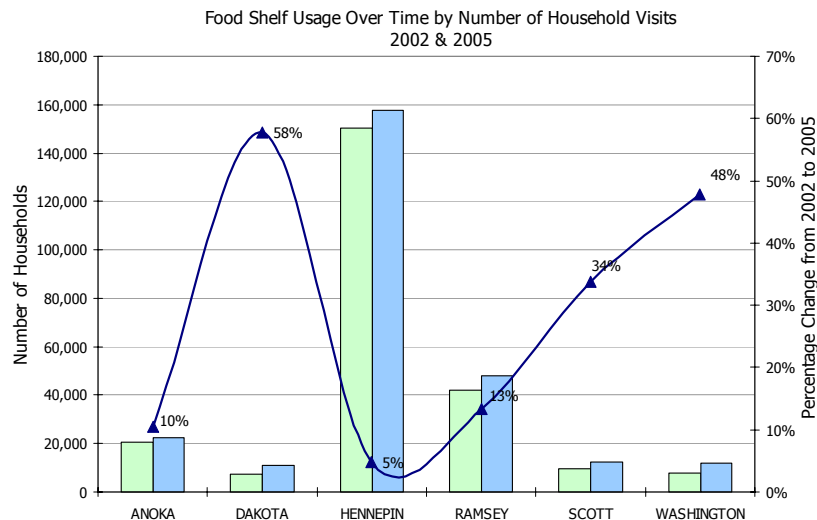
**Table 1.**

Dakota County Average Monthly Caseload							
	2000	2001	2002	2003	2004	2005	5 yr % Increase
MFIP/DWP	1201	1271	1372	1549	1581	1498	24.7%
Non-MFIP Food Support	1632	1802	2260	2593	3077	3240	98.5%
Healthcare (Excluding MinnesotaCare)	8035	8817	10210	11580	12321	13134	63.5%

**Families are having a harder time acquiring basic necessities such as food, shelter, childcare, and health care. Families are turning to community resources in growing numbers.**

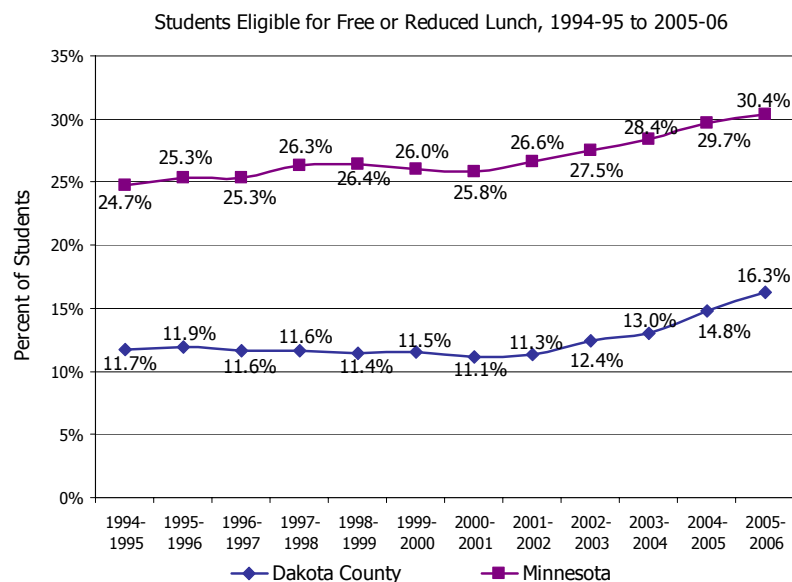
- **Food Shelf use has increased.** There has been a 58% increase in the use of food shelves in Dakota County between 2002 and 2005. Although the number of visits remains much lower than Anoka, Ramsey, or Hennepin Counties, the rate of increase has been much higher.

**Figure 3.**



- **Substantially more families need help paying for school lunches.** Additionally, the percentage of families with school age children that are eligible for free or reduced lunch costs at school has increased from 11.1% in school year 2000-2001 to 16.3% in school year 2005-2006; this is a ten-year high.

**Figure 4.**



- **More families with young children seek help with food through the Women, Infants, and Children (WIC) program.**

The number of participants seeking assistance through the WIC program has increased 51% between 2000 and 2004. In 2005, there were 12,201 participants (nearly 1 in 5 households with children under 18 in the County) on WIC.

### III. Increase in Dakota County Poverty

Table 2 shows the official federal Poverty Guidelines for various family sizes.

**Table 2.**

#### 2006 HHS Poverty Guidelines

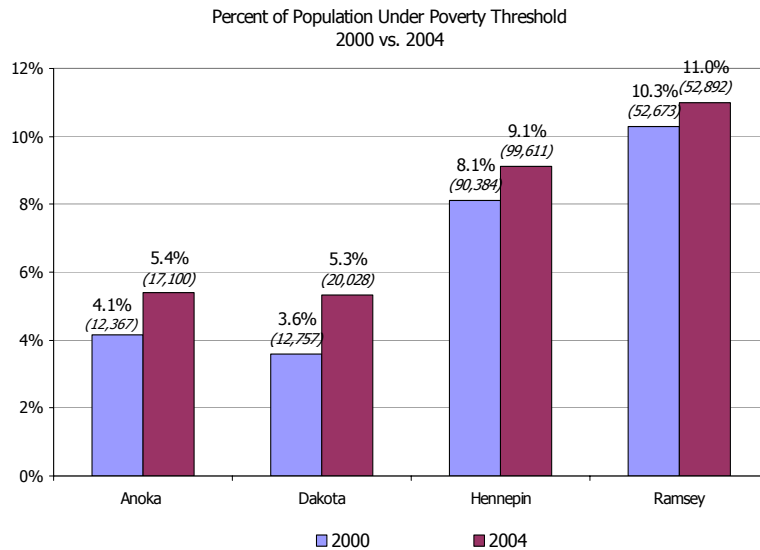
Persons in Family or Household	48 Contiguous States and D.C.	Alaska	Hawaii
1	\$ 9,800	\$12,250	\$11,270
2	13,200	16,500	15,180
3	16,600	20,750	19,090
4	20,000	25,000	23,000
5	23,400	29,250	26,910
6	26,800	33,500	30,820
7	30,200	37,750	34,730
8	33,600	42,000	38,640
For each additional person, add	3,400	4,250	3,910

**SOURCE:** *Federal Register*, Vol. 71, No. 15, January 24, 2006, pp. 3848-3849

Many more people and families in Dakota County are poor and poverty rates are increasing in Dakota County. Additionally, the cost for essential needs such as medical insurance, shelter, childcare, and transportation continue to rise much more quickly than the average wage increases for lower income workers.

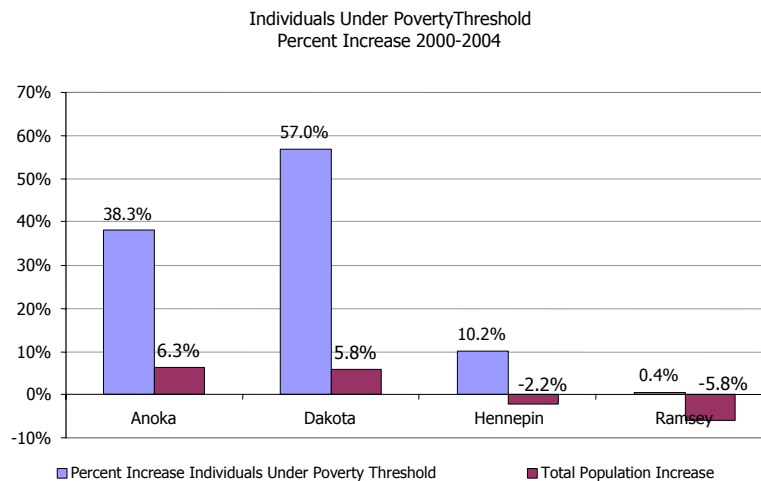
- **Poverty rates are rising.** The proportion of residents with an income below the poverty threshold has increased from 3.6% in 2000 to 5.3% in 2004 in Dakota County. There were approximately 7,300 more individuals living in Dakota County below the poverty threshold in 2004 than in 2000.

**Figure 5.**



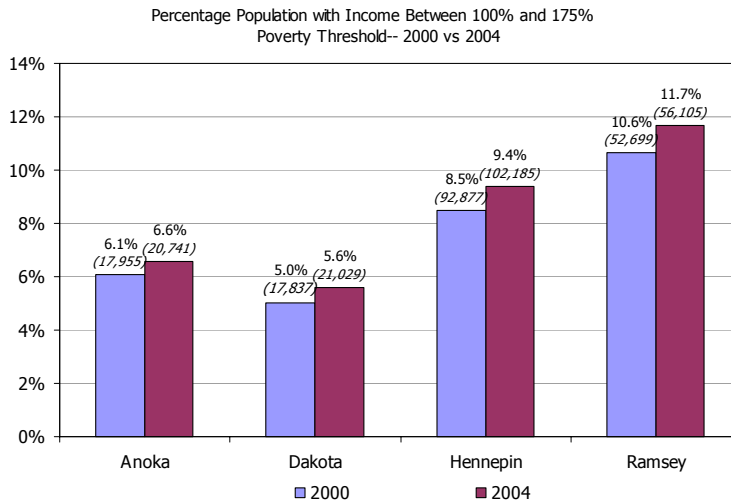
With a 57% increase in the total number of individuals under the poverty threshold in Dakota County, the growth in poverty populations has been much more dramatic than the growth of population in general (5.8%).

**Figure 6.**



- Increased percentage of households close to poverty.** The percentage of households with an income between 100% and 175% of the poverty threshold is also increasing. (For a family of 4, income in this range would be \$19,350 to \$33,860.) In 2004, households in this income range accounted for 5.8% of the Dakota County population—increased from 5.0% in 2000.

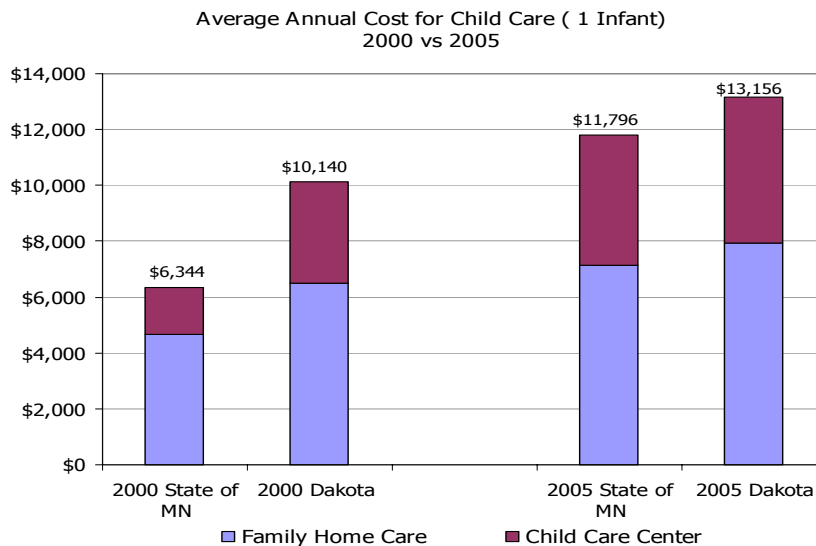
**Figure 7.**



#### IV. Cost of Living Increases

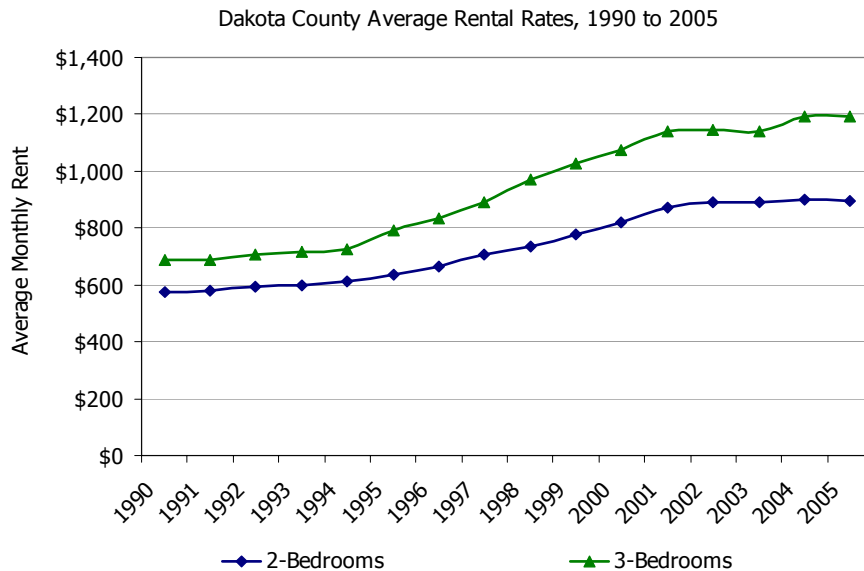
- Childcare costs have risen dramatically.** There has been a 30% increase in the cost for childcare in Dakota County between 2000 and 2005. In 2005, it cost an average of \$13,000 per year for tuition at a childcare center for an infant. Similarly, the cost for pre-school care has increased 31% between 2000 and 2005 to an average of \$9,700 per year. The average cost in Dakota County for childcare is somewhat higher than the state average. However, the statewide percentage increase between 2000 and 2005 has been dramatic at 87%.

**Figure 8.**



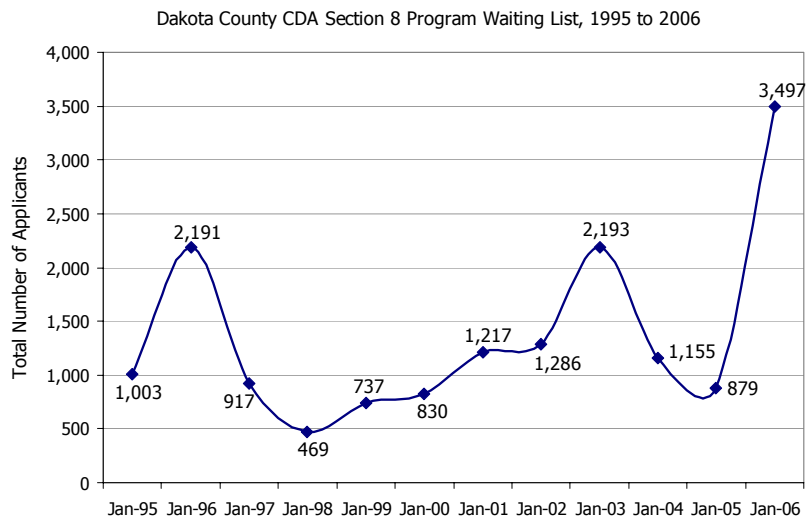
- **Rent continues to rise.** The average rental rates for a 2 or 3-bedroom apartment has increased 9% and 11%, respectively, between 2000 and 2005.

**Figure 9.**



- **Long waiting list of people seeking housing assistance.** The number of people waiting for Section 8 housing assistance was 3,497 in January 2006. Because the waiting list is not always kept open for new requests, it is difficult to determine any trends from these data. However, it is clear from the January 2006 waiting list that there are substantial numbers of families seeking housing assistance.

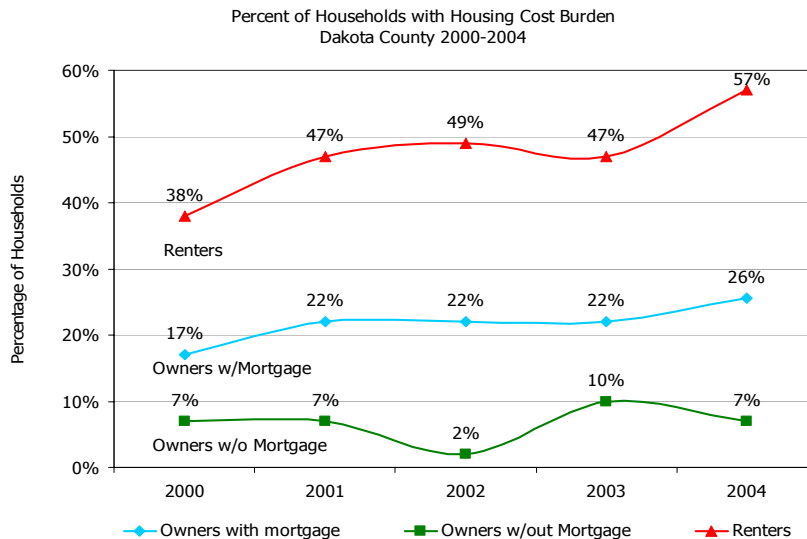
**Figure 10.**





- **Housing is an unaffordable expenditure for an increasing proportion of Dakota County households.** A majority (57%) of all renters in Dakota County spend more than 30% of their household income on housing costs in 2005. This is an increase from 38% in 2000. Similarly, more than one-quarter (26%) of homeowners with a mortgage spend more than 30% of their household income on housing costs. This is an increase from 17% in 2000.

**Figure 11.**



- **Fewer people have access to private or group health insurance coverage.** Access to healthcare is becoming more difficult. A recent report published by the Minnesota Department of Health and the University of Minnesota School of Public Health (<http://www.sph.umn.edu/img/assets/18528/MNAccess2004FactSheet.pdf>) shows that there has been a decline in the percentage of Minnesotans with health insurance coverage. The report cites several reasons for the shift in coverage, including:
  - A decline in the percent of people who worked for or had a family member who worked for an employer that offered health insurance coverage.
  - A decline in the percent of employees and dependents eligible for coverage offered through an employer.
  - A higher percentage of unemployment among Minnesotans and a higher likelihood that those who are employed have seasonal or temporary jobs that are less likely to offer health insurance coverage.

Although the percentage of individuals that are uninsured did not decline between 2001 and 2004 in Dakota County, there was a shift from access to group or individual health care to reliance on public health care.

**Table 3.**

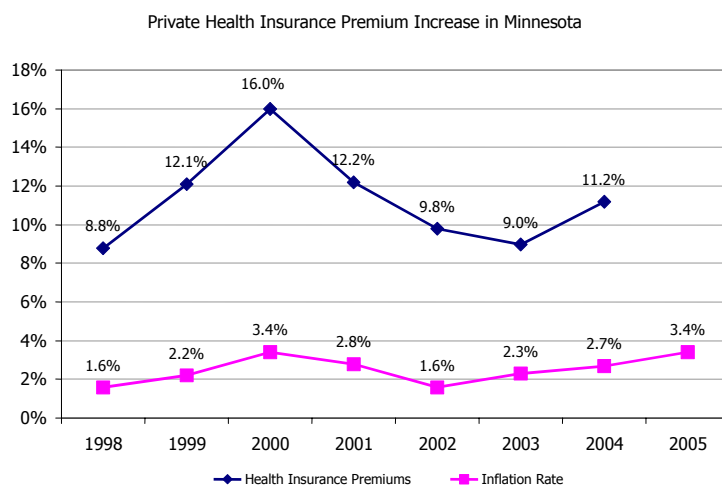
Sources of Coverage, Dakota County 2001 and 2004							
Public		Group		Individual		Uninsured	
2001	2004	2001	2004	2001	2004	2001	2004
12.0%	<b>18.4%*</b>	81.6%	<b>76.8%*</b>	4.0%	<b>2.3%*</b>	2.4%	2.4%

Bold \* indicates a statistically significant difference between 2001 and 2004 at the 95% level.

Source: 2001 and 2004 Minnesota Health Access Surveys

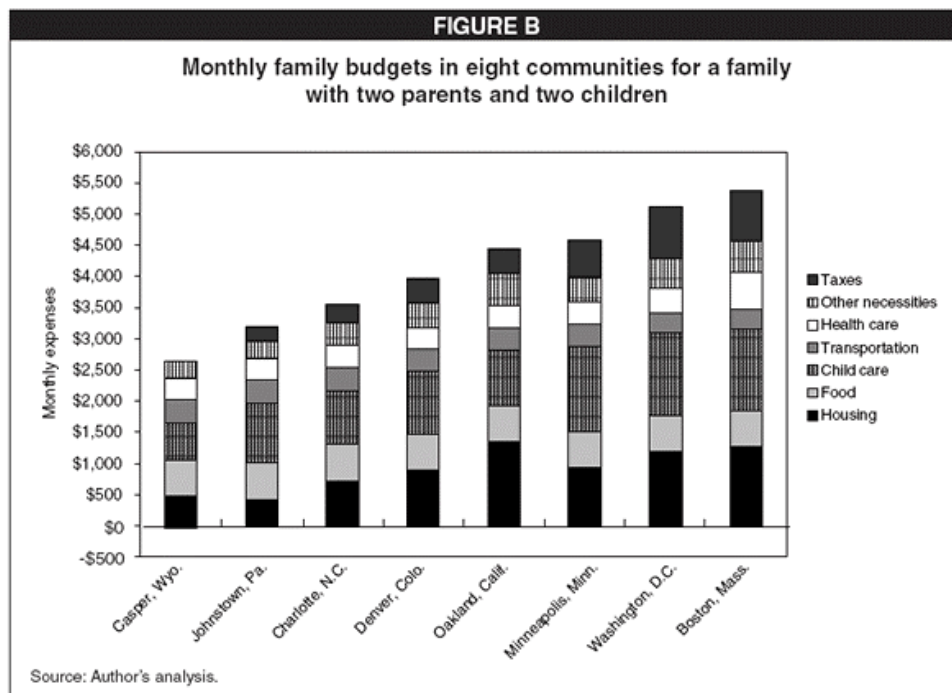
- **Increased cost of health insurance premiums.** According to a recent study by the Minnesota Department of Health, private health insurance premiums in Minnesota have continued to increase at a rate that far exceeds the rates at which inflation and income are increasing. The study notes that in 2004, premiums for private Minnesota health coverage were \$3,076 per person. (Source: <http://www.health.state.mn.us/divs/hpsc/hep/publications/privatemarkets/2005-02.pdf>),

**Figure 12.**



***Modest cost of living budgets suggest a wide gap in resources for families near the poverty line.***

For a family of 2 adults and 2 children, the poverty line was \$19,806 per year in 2005. A recent study by the Economic Policy Institute ([www.epinet.org](http://www.epinet.org)), suggests that for this type of household in the Minneapolis / St. Paul metropolitan area, approximately \$54,000 is needed per year to ensure a modest but reasonable lifestyle. This is more than 2.7 times the income amount defined by the poverty thresholds.



Source: <http://www.epinet.org/content.cfm/bp165>

## V. Dakota County Economy

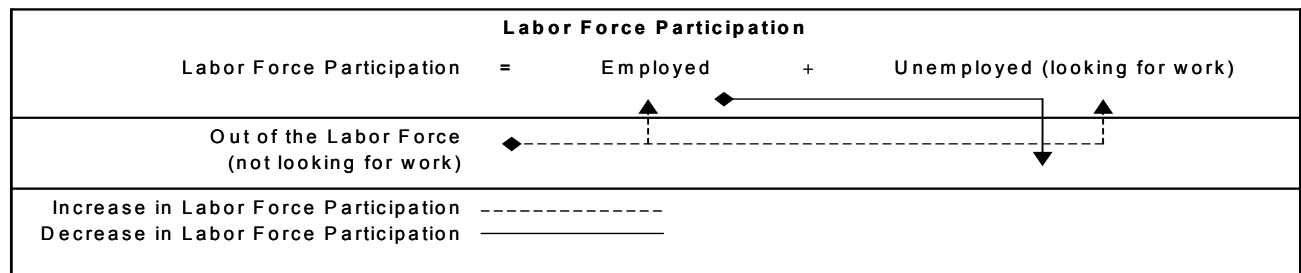
The Dakota County economy has been expanding over the past five-year period (2001 - 2005). Six hundred and thirteen firms entered the market between this time period and the number of Dakota County residents employed both in and out of county grew by 14,928. The number of residents that entered the labor force grew by 7,854; and, included in the labor force growth is the growth in unemployment over the same time period. Unemployment grew by 2,773 (from 2.9% to 4.03%). These indicators suggest the Dakota County economy was able to absorb the majority of people seeking employment in the county.<sup>1</sup>

Dakota County residents are more sensitive to labor market opportunities within the county. For residents employed and seeking employment outside the county the labor market was somewhat of a mixed bag. Sensitivity analysis revealed that an increase of 11,910 jobs impacts Dakota County employment 1.4 X as much as a loss of 61,242 jobs in the remaining seven county metro area.<sup>2</sup> However, growth in the seven county metro area impacts a significant number of residents that are employed outside of Dakota County (Residents: Working in County = 46% and Working outside County = 54%).

**Table 4.**

<b>Jobs by County (All Ownership Types)</b>				
	<b>1Q 2001</b>	<b>1Q 2005</b>	<b>Numeric Change</b>	<b>Percentage Change</b>
Anoka County	109087	109444	357	0.3%
Carver County	29068	30892	1,824	6.3%
Dakota County	152262	164172	11,910	7.8%
Suburban Hennepin County	559837	527410	-32,427	-5.8%
Ramsey County*	331218	319637	-11,581	-3.5%
Scott County	33925	38039	4,114	12.1%
Washington County	67920	69261	1,341	2.0%
Minneapolis	305391	280521	-24,870	-8.1%
<b>Total</b>	<b>1588708</b>	<b>1539376</b>	<b>-49332</b>	<b>-3.1%</b>

<sup>1</sup>



<sup>2</sup>

<b>Sensitivity Analysis</b>	<b>Dakota County</b>	<b>Seven County Metro Area</b>
Place of Work: Dakota County Residents	46%	54%
Total Number of Jobs 1Q05	164,172	1,375,204
Change in Jobs 1Q01 – 1Q05	+11,910	-61,242
Ratio of Jobs Gained/Lost	$(11,910 \div 164,172) = .07254$	$(61,242 \div 1,375,204) = .04453$
Sensitivity Ratio	$46\% \times (11,910 \div 164,172) = .03337$	$54\% \times (61,242 \div 1,375,204) = .02405$

## ■ Income Disparities Growing

While private sector wages in Minnesota rose by 15.5 percent from 1998 to 2003; for the most part, workers wages have not kept pace with inflation over the past four years. The middle of the Dakota County family income distribution is getting squeezed. More families in the county moved into the upper echelon of the income distribution; however, the number of Dakota County families that are under poverty grew by 153% between 2000 and 2004.

Table 5 below, shows income disparities in Dakota County.

**Table 5.**

<b>Dakota County Family Income</b>	<b>2000</b>	<b>2004</b>	<b>% Change</b>
Less than \$25K	5,406	8,253	+53
\$25 to \$50K	15,357	14,787	-4
\$50 to \$100K	44,811	42,913	-4
Over \$100K	31,361	34,698	+11

Preliminary analysis indicates MFIP Employment Services (MFIP/ES) participants leave for jobs that qualify them as working poor; hence they still meet the criteria for public assistance. The average total annual wages earned (\$14,048 - \$17,784) is 106% to 135% of the Federal Poverty Guidelines for a family of two.

Currently, Dakota County economic indicators are doing better than 1Q 2005, but are lagging behind the annual average for 2005. Comparing the annual average for 2005 with the 1Q 2006 along with Minnesota data on wage growth and health care premiums suggests more dependence on public assistance in the future. The Federal Reserve Board Chairman and many economists expect the economic growth to slow in the rest of the year. Higher energy costs will shift some money away from hiring and health insurance at work. Thus, supporting the current upward trend in public assistance caseloads.

**Table 6.**

<b>Dakota County Employment Indicators</b>	<b>1Q05</b>	<b>Average 2005</b>	<b>1Q06</b>
Employment	220,426	224,077	221,396
Unemployment	9,247	8,230	9,454
Labor Force Participation	229,673	232,307	230,852

## VI. Summary

In this century, Dakota County has experienced a growth of 69 percent in its public assistance caseload. The three major factors driving this increase are:

- More people and families are poor.
- The rising cost of basic needs makes it difficult for low income families to survive without assistance.
- The job market is not providing an easy source of relief.

The Federal Reserve is expecting that economic growth will slow as energy costs rise. Therefore, the current upward trend in Public Assistance will continue.